



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

24 CFR Part 202

**[Docket No. FR-5416-N-02]
RIN 2502-AI91**

**Withdrawal of Proposed Rule on Approval of Farm Credit System Lending Institutions
In Federal Housing Administration (FHA) Mortgage Insurance Programs**

AGENCY: Office of the Assistant Secretary for Housing – Federal Housing Commissioner, HUD.

ACTION: Withdrawal of proposed rule.

SUMMARY: This notice withdraws HUD's August 2011 rule that proposed to amend HUD's regulations to enable the direct lending institutions of the Farm Credit System to seek approval to participate in the FHA mortgage insurance programs as approved mortgagees and lenders.

DATES: The proposed rule is withdrawn **[Insert date date of publication in the FEDERAL REGISTER].**

FOR FURTHER INFORMATION CONTACT: Office of Lender Activities and Program Compliance, Department of Housing and Urban Development, 451 7th Street SW, Washington, DC 20410-8000; telephone number 202-708-1515 (this is not a toll-free number). Persons with hearing or speech impairments may access this number through TTY by calling the toll-free Federal Information Relay Service at 800-877-8339.

SUPPLEMENTAL INFORMATION:

I. Background

On August 26, 2011, at 76 FR 53362, HUD published a proposed rule that would enable the direct lending institutions of the Farm Credit System to seek approval to participate in the FHA mortgage insurance programs as FHA-approved mortgagees and lenders. In the proposed

rule, HUD noted that recent difficulties in mortgage finance markets indicated reduced availability of housing credit in rural areas. HUD therefore proposed to extend FHA mortgagee and lender eligibility to the lending institutions of the Farm Credit System to provide an additional avenue for mortgage financing in rural areas. The Farm Credit System is a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations. The public comment period for the proposed rule closed on October 25, 2011. HUD received approximately 27 substantive public comments in response to the August 26, 2011, proposed rule. Certain comments were identical in substance, having been submitted as part of mailing campaigns. The public comments on this rule can be found at <http://www.regulations.gov/#!searchResults;rpp=10;po=0;s=FR-5416-P-01>.

The commenters were almost evenly divided in their support of and opposition to the rule. Those commenters that supported the rule stated that there was indeed a need for available housing credit in rural areas and that allowing Farm Credit lending institutions to be FHA-approved lenders would aid in the necessary extension of credit. The commenters stated that the Farm Credit System has been a source of consistent and reliable credit for rural homeowners and that the ability to provide the option of FHA programs to families in rural areas will help ensure that the borrowing needs of rural families are met. Those commenters that opposed the rule stated that there was no need to expand FHA mortgage availability to Farm Credit member institutions; that the banking community was satisfactorily meeting the need for credit in rural areas. The commenters opposing the rule also stated that it was their view that approval of Farm Credit lending institutions to originate FHA insured loans runs afoul of the Administration's proposal to reduce government involvement in the housing finance market.

Upon consideration of the issues raised by public comments, HUD is withdrawing the August 26, 2011, proposed rule. While HUD seeks to ensure the availability of mortgage financing for qualified borrowers nationwide – and particularly in underserved areas – HUD and the Administration remain committed to reducing FHA’s market share and facilitating the return of private capital to the housing finance market. Therefore, in concert with its network of FHA-approved lending partners, FHA will continue to monitor the adequacy of mortgage credit in rural areas to ensure that rural residents have access to homeownership.

Accordingly, the proposed rule to amend 24 CFR 202.10, published on August 26, 2011, at 76 FR 53362, entitled “Approval of Farm Credit System Lending Institutions in FHA Mortgage Insurance Programs,” is hereby withdrawn.

Dated: February 7, 2012

Carol J. Galante
Acting Assistant Secretary for
Housing – Federal Housing Commissioner

[FR-5416-N-02]

[FR Doc. 2012-3289 Filed 02/10/2012 at 8:45 am; Publication Date: 02/13/2012]